

## Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
----- 121809

R 151130Z SEP 76  
FM AMEMBASSY ALGIERS  
TO SECSTATE WASHDC 5145

S E C R E T SECTION 1 OF 2 ALGIERS 2208

EXDIS

E.O. 11652: GDS  
TAGS: PGOV, PFOR, AG, US  
SUBJECT: ILLICIT PAYMENTS, ALGERIA

REF: STATE 164433 AND PREVIOUS

1. SUMMARY. MINISTER OF INDUSTRY AND ENERGY REQUESTS INFORMATION ABOUT COOPERATION ON PREVENTION AND RECOVERY OF ILLICIT PAYMENTS. HE OBVIOUSLY SERIOUSLY CONCERNED. EMBASSY REQUESTS GUIDANCE.

2. AMBASSADOR AND EMBASSY COMMERCIAL OFFICER MET WITH MINISTER INDUSTRY AND ENERGY, BELAID ABDESSELAM, SEPTEMBER 14 AT MINISTER'S REQUEST. AFTER VERY BRIEF PLEASANTRIES, ABDESSELAM SAID HE WANTED TO DISCUSS SUBJECT OF EXCHANGE OF LETTERS BETWEEN SONATRACH PRES. GHOZALI AND DEPUTY SECRETARY ROBINSON REGARDING ILLICIT PAYMENTS.

3. ABDESSELAM SAID GOA VERY CONCERNED THAT COOPERATION THIS REGARD BE PURSUED, AND HE ESPECIALLY WOULD LIKE TO KNOW EXACTLY WHAT WE ENVISAGED AS MODALITIES FOR EXCHANGES INFORMATION. HE SAID GOA HAD FOUR OBJECTIVES (NOT NECESSARILY IN ORDER OF IMPORTANCE):

A. GOA WOULD LIKE TO KNOW EXTENT AND IDENTITY OF NETWORK OF INFLUENCE PEDDLERS, BOTH IN ALGERIA AND IN THE U.S. IN THIS CONNECTION HE SAID HE CONVINCED IT WAS QUESTION OF NETWORK AND NOT ILOLATED INDIVIDUAL OR INDIVIDUALS. AT ONE POINT HE CHARACTERIZED IT AS MAFIA-LIKE

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(ALTHOUGH HE SAID HE DID NOT THINK MAFIA ITSELF WAS INVOLVED).

TO ILLUSTRATE HE SAID PRESIDENT OF MAJOR U.S. COMPANY HAD RECENTLY INFORMED GOA HE BEING THREATENED BY BODILY HARM TO HIMSELF OR HIS FAMILY IF HE REVEALED NATURE OF APPROACH WHICH HAD BEEN MADE TO HIM FOR ILLICIT PAYMENT. ABDESSELAM DID NOT RPT NOT IDENTIFY PERSON OR FIRM, BUT SAID THIS THREAT WAS INDICATION THE IT NOT QUESTION OF PERSON OR PERSONS WORKING ALONE. HE MENTIONED THAT FORMER SONATRACH REPRESENTATIVE IN WASHINGTON WAS AMONG MEMBERS OF NETWORK. (HE PRESUMABLE REFERRING TO CHERIF GUELLAL BUT DID NOT NAME HIM.) HE ASID ANOTHER UNNAMED INDIVIDUAL, AN ALGERIAN, WAS ALSO UNDER SUSPICION BUT HAD DENIED ACCUSATION.

B. GOA WOULD LIKE TO RECOUP THE AMOUNTS OF MONEY PAID OUT ILLICITLY. HE SAID GOA KNEW OF NO OTHER WAY OF DOING THIS THAN THROUGH OUR COURTS. HE WOULD LIKE OUR THOUGHTS ON THIS.

C. GOA WOULD LIKE TO AVOID SURPRISES IN THE FUTURE. HE ASKED IF PROCEDURE COULD NOT BE ESTABLISHED WHEREBY USG MIGHT DETERMINE, AFTER EVERY MAJOR CONTRACT SIGNED BETWEEN U.S. FIRM AND GOA, WHETHER OR NOT ILLICIT PAYMENTS WERE MADE, THEN SO ADVISE GOA.

D. IN ORDER ACCOMPLISH THE ABOVE, THEY WOULD LIKE ESTABLISH FRAMEWORK FOR EXCHANGE OF INFORMATION.

4. AMBASSADOR REPLIED BY FIRST REPEATING SUBSTANCE OF DEPUTY SECRETARY ROBINSON'S LETTER. ALTHOUGH ABDESSELAM NEVER EXPLICITLY SAID AS MUCH, IT APPEARED HE DID NOT FEEL COOPERATION BETWEEN LAW ENFORCEMENT ORGANIZATIONS AND USE OF ALGERIAN EMBASSY IN WASHINGTON WOULD DO THE JOB. AT ONE POINT HE MADE IT CLEAR THAT HIS MINISTRY WAS PRIMARY ACTION ORGANIZATION ON THIS SUBJECT.

5. REFERRING TO ITEM 2.C. ABOVE, AMBASSADOR NOTED THAT THIS PROBABLY WAS IMPOSSIBLE UNDER OUR SYSTEM. WE COULD NOT COMPEL COMPANIES ROUTINELY TO SUPPLY US WITH THIS INFORMATION. HE MENTIONED CURRENT S.E.C. INQUIRY AND SAID THIS KIND OF INVESTIGATION WOULD PROVIDE INFORMATION, BUT ONLY AFTER THE FACT AND USUALLY ONLY WHERE SOME SUSPICION EXISTED OF WRONGDOING. AMBASSADOR SUGGESTED THAT ALGERIANS REQUIRE, INSTEAD, THAT SIGNING OF MAJOR CONTRACTS BE CONTINGENT ON AN AUDIT STATEMENT BY REPUTABLE INTERNATIONAL AUDITING

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FIRM CERTIFYING THAT COMPANY BOOKS SHOWED NO OUTSIDE PAYMENTS IN CONNECTION WITH CONTRACT AWARD.

6. FINALLY, AMBASSADOR ASSURED ABDESSELAM THAT HE WOULD REPORT CONVERSATION TO WASHINGTON, WITH EMPHASIS ON LEARNING EXACTLY WHAT MIGHT BE NEXT STEPS IN ESTABLISHING REGULAR RECIPROCAL ASSISTANCE AND EXCHANGE OF INFORMATION.

7 COMMENT: ABDESSELAM OBVIOUSLY SERIOUSLY CONCERNED BY PROBLEM, AND UNDOUBTEDLY VERY SENSITIVE ABOUT IMPACT OF FUTURE REVELATIONS ON HIS MINISTRY. HE SAID SOMEWHAT PLAINTIVELY THAT ALGERIANS NEGOTIATED CONTRACTS IN GOOD FAITH ON BASIS MERITS OF VARIOUS PROPOSALS PUT TO THEM, ONLY TO FIND LATER THAT SOMEONE HAD GONE AROUND THEIR BACKS AND EXACTED BRIBE, ALLEGING IT NECESSARY FOR CONTRACT. HE SEEMED PARTICULARLY UPSET BY PAYMENTS IN CHEMICO AFFAIR, NOTING THAT FRENDEL HAD BEEN OFFICER OF CHEMICO AND SAYING HE SUSPECTED ALLEGED PAYMENT TO HIM WAS SIMPLY DIVERSION OF FUNDS AND THAT PAYMENTS IN QUESTION HAD BEEN SPLIT AMONG CHEMICO PERSONNEL. SWISS AND LIECHTENSTEIN FIRMS MENTIONED IN SONATRACH WERE SHADOW ORGANIZATIONS AND THEY WERE TRYING TO FIND OUT WHO WAS REAL PERSON BEHIND THEM.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
----- 121904

R 151130Z SEP 76

FM AMEMBASSY ALGIERS  
TO SECSTATE WASHDC 5146

S E C R E T SECTION 2 OF 2 ALGIERS 2208

EXDIS

8. THIS APPROACH COMES AT TIME OF MANY RUMORS THAT VARIOUS OFFICIALS OF NATIONAL COMPANIES ARE BEING PURGED FOR CORRUPTION. IT IS SECOND MINISTERIAL APPROACH TO ME ON SUBJECT. FIRST CAME INDIRECTLY FROM BOUTEFLIKA, WHO TOLD ONE OF HIS AIDES TO TELL ME HE WANTED TO KNOW OF ANY ALGERIANS INVOLVED IN ILLICIT PAYMENTS. RESPONSE IS DELICATE PROBLEM. WE HAVE LITTLE HARD INFORMATION, BUT A NUMBER OF SUSPICIONS. WE GATHER, FOR INSTANCE, THAT THERE IS LIKELY TO BE EMBARRASSING INFORMATION MADE PUBLIC AS RESULT CURRENT SEC INVESTIGATIONS OF ONE AMERICAN FIRM WHICH HAS MADE SUBSTANTIAL PAYMENT TO POLITICALLY IMPORTANT ALGERIAN IN RETURN FOR CONTRACT SIGNATURE BY NATIONAL SOCIETY IN ABDESSELAM'S MINISTRY. WE HAVE NO CONFIRMA-

TION FROM USG, HOWEVER, AND WE REALLY DO NOT KNOW WHO IN  
GOA MAY HAVE BEEN IN ON THIS PARTICULAR DEAL. WE FEEL IT  
WOULD BE VERY MUCH IN OUR INTEREST, HOWEVER, TO LET GOA KNOW  
STORY IS GOING TO BREAK BEFORE IT DOES.

9. WE DO NOT KNOW WHAT OTHER SKELETONS THERE ARE IN CLOSET,  
BUT SUSPECT THERE ARE MANY. WE THINK IT IN OUR INTEREST  
TO COOPERATE WITH GOA IN EXCHANGING INFORMATION, BUT PEN-  
ULTIMATE PARAGRAPH OF ROBINSON LETTER TO GHOZALI IS NOT  
AS CLEAR AS IT MIGHT BE. SPECIFICALLY, CAN WE CONSIDER THAT  
ABDESSELAM'S REQUEST CONSTITUTES THE INITIAL COMMUNICATION  
IN DIPLOMATIC CHANNELS REFERRED TO AS FIRST STEP? IS SO,  
IS NEXT STEP FOR DEPARTMENT TO PUT ALGERIAN EMBASSY IN WASHINGTON  
IN TOUCH WITH JUSTICE? TO DO SO WOULD BE A WASTE OF TIME  
AND POTENTIALLY DISASTROUS. IT WOULD BE MUCH MORE USEFUL  
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TO SEND KNOWLEDGEABLE JUSTICE LAWYER TO ALGIERS TO TALK TO  
GOA HERE. ALTERNATIVELY, IF WE HAVE SOMETHING TO  
TELL ALGERIANS, WE CAN ASK THEM TO SEND SOMEONE KNOWLEDGEABLE  
TO WASHINGTON. PROBLEM WITH THAT, HOWEVER, IS FINDING SOMEONE  
ABDESSELAM CAN TRUST. THIS IS WHY WE SUGGEST SENDING  
SOMEONE FROM WASHINGTON HERE.

10. REQUEST GUIDANCE. SPECIFICALLY: (A) WHAT DO WE  
PROPOSE AS NEXT STEP IN EXCHANGE? (B) DOES USG HAVE ANY  
SUGGESTIONS ABOUT HOW WE COULD HELP GOA DETECT AND PREVENT  
FUTURE ILLICIT PAYMENTS? (C) DOES USG HAVE ANY IDEAS  
ABOUT HOW ALGERIANS CAN GET MONEY BACK, OTHER THAN GOING  
TO COURT? (D) DO WE HAVE ANY INFORMATION WE CAN GIVE  
ALGERIANS ABOUT NETWORK OF INFLUENCE PEDDLERS IN UNITED  
STATES, OR ELSEWHERE? WHAT LEGAL STEPS, IF ANY, ARE  
REQUIRED BEFORE WE CAN RELEASE IT TO THEM? (E) CAN USG  
SEND SOMEONE HERE TO TALK TO ABDESSELAM ON SUBJECT?

PARKER

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## Message Attributes

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